



CCM Testimony

545 Long Wharf Drive., 8th Floor, New Haven, CT 06511 • 203-498-3000



PLANNING & DEVELOPMENT COMMITTEE March 3, 2023

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent 168 towns and cities.

HB 5868 An Act Authorizing Municipalities to Impose a Tax on Endowment Funds or Private Institutions of Higher Education.

HB 6804 An Act Authorizing the Assessment of Fire District User Fees on Colleges and Universities.

CCM thanks the proponents for proposing the aforementioned bills as an opportunity to discuss the need for true revenue diversification to help alleviate the overburdened and regressive property tax system.

Current State policies have created a scenario that have limited local governments to dependence on regressive property taxes and increasingly insufficient and unpredictable state aid to fund schools, provide for public safety and maintain vital infrastructure. The lack of diversity in local revenue coupled with repeated and significant budget deficits at the state level have created the perfect storm in which, if action is not taken, will see towns and cities unable to provide these needed local services.

The regressive property tax accounts for more than 40% of all taxes collected in the state and is continually undermined by the adoption of legislatively mandated property tax exemptions (currently 99). Overreliance on the property tax is especially detrimental to our urban communities where, in some cases, 50% or more of their taxable property is exempt.

While the need for property tax reform and local revenue diversification has been debated for many years, the time has come when action is required. Towns and cities have reached a point where the reliance on the property tax and state aid are no longer adequate to sustain the services that towns and cities provide, are often mandated to provide and more importantly, that our residents demand we provide.

CCM'S THIS REPORT IS DIFFERENT, AND THE NEED FOR COMPREHENSIVE REFORMS

CCM released a comprehensive report in 2017, *This Report is Different* that outlines a new path forward for towns and cities and makes the case that we cannot solve our ongoing fiscal crisis by relying exclusively on spending cuts or tax increases. Long-term solutions must be comprehensive and may contain proposals that fall outside ones ideological comfort zone. CCM's State and Local



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Partnership panel, which developed the report, included 21 municipal leaders representing cities, suburban and rural communities, Republicans and Democrats. The panel offered recommendations that would enable towns and cities to:

- Diversify local revenue;
- Provide needed cost containment language; and
- Encourage savings through increased regional collaboration.

CCM believes that the implementation of local revenue diversification, combined with the cost controls and expanded regional collaboration, will provide the foundation for a sustainable and more equitable municipal revenue base. It will provide needed relief for towns and cities that provide a disproportionate share of social services and host a large percentage of state mandated property tax exempt properties.

The addition of tax revenue from opportunities to assess fees and in the case suggested by HB 5868, taxes on endowment funds of higher institutions, as a menu of options, will reduce the current overreliance on property taxes and unpredictable state aid. These proposals will serve to limit if not help reduce property taxes, enable towns and cities to maintain current services, improve and expand infrastructure and provide the needed economic stability to promote needed economic development.

No one looks for the opportunity to come forward and testify in support of increased taxes or for permission to apply new fees at the state level or the local level, but in recognizing the severe conditions of the state's finances, and those of municipalities throughout the state, we are obligated to have these difficult discussions and recommend hard choices. We cannot expect our towns and cities to grow and prosper if we continue the current policies of restricting the generation of local revenues to a regressive property tax system and diminishing state aid.



If you have any questions, please contact Donna Hamzy Carroccia, Chief Strategy Officer of CCM at dhamzy@ccm-ct.org or (203) 843-0705.